

PRESS ROUND-TABLE  
USTR Ambassador Charlene Barshefsky  
London  
October 22, 1998

AMBASSADOR BARSHEFSKY: Thank you all for coming. Let me just start out for a moment about the U.S.-U.K. trade relationship. Looking at 1997, and the terms are essentially the same in 1998, \$69.1 dollars in two-way trade. Almost evenly split between the two countries - U.S. exports to the U.K., this is in goods, was about \$36 or \$37 billion, U.S. imports from the U.K. in goods was about \$32 or \$33 billion and, of course, the services relationship between the two countries is immense as well. Investment is split exactly down the middle, which is really quite astonishing. Total of about \$142 billion in investment. Forty percent of all U.S. investment in the EU is in the U.K. and the U.S. is the single largest host to the U.K. for investment. There are about a million jobs in each country that depend on employment in each other's factories and 24,000 U.S. companies export to the U.K. That is second only to Canada. For U.S. companies, the U.K. is essentially the key staging point for not only services and sales in the U.K. but also the staging point for further exportation to the Middle East, to the rest of Europe and to Eastern Europe. So this is an extraordinarily productive and remarkably balanced relationship. We rarely see figures that look like these in terms of balance. And in terms of bilateral trade disputes, I actually, at the moment, can't think of any, which is really quite remarkable. I've come to Europe at this point to talk about four principal topics and these are also the four topics that I'll touch upon in my meetings here with both the government as well as with the private sector.

First, the transatlantic economic partnership (TEP). We have made quite a bit of progress in Brussels in working out, jointly, an action plan for the TEP, which has two components: one is bilateral, (that is U.S.-EU), the other is multi-lateral. On the multi-lateral side, we've identified a broad range of issues on which we would like to cooperate with Europe, particularly as we look to the 1999 WTO ministerial meeting. Our basic view is that the U.S. and Europe, which have led in the creation of institutions like the WTO, should try to do more to cooperate with each other rather than to attempt to disempower each other and that is our hope as we look to the 1999 ministerial meeting.

With respect to the bilateral side of the TEP, we've identified essentially seven principal areas where we would like to cooperate and/or negotiate arrangements. They are: intellectual property rights; government procurement; electronic commerce; services; standards including mutual recognition agreements; agricultural regulatory policy including biotechnology and civil society related issues such as labor input; environmental NGO input; and so on.

The second broad area I've come to talk about is the WTO 1999 ministerial. The U.S. has proceeded and intends to proceed in the following way. First, we must identify the broad range of issues that may be ripe for negotiation or, if not negotiation, at a minimum, for further work. We know already from the close of the Uruguay Round that agriculture is slated to begin in 1999 and services in 2000. But there are many, many other issues that need to be considered: whether they are intellectual property rights, or procurement, or bribery and corruption or regulatory policy.

There are also a range of institutional issues that need to be considered, and I'll give you one quite pertinent example. That is the question of what should the relationship be between the

WTO, on one hand, and the IMF and the World Bank on the other, particularly at this time of global financial crisis. Substantively, there is obviously an intersection in the work of those three institutions, but institutionally there is no intersection whatsoever, so there is clearly something wrong with this system as it now stands.

So, step one for the U.S. is to identify the broad range of issues in front of us. Much of that work right now is being done in Geneva by the WTO General Council. We were quite insistent last May at the 50th anniversary celebration of the GATT system, that the General Council has an unlimited mandate. That is to say, that any and every country should be welcome to put ideas for negotiation before the General Council and let the General Council and Secretariat do a first vetting so that we can have a very broad and full range of issues for consideration.

The second step, then, is having determined what should be negotiated, how do we negotiate? What is the method by which we proceed to as a rapid a conclusion as possible in the most efficient manner possible. Typically, the term "round" like Tokyo Round, Uruguay Round, has come to mean that nothing is agreed until all is agreed and the negotiations have no particular end date. The Tokyo Round took ten years. The Uruguay Round took seven and a half. I don't believe there is any country or group of countries including Europe that has any stomach for this kind of indefinite negotiation and in addition, particularly now given changes in technology, given the global financial crisis, we cannot possibly embark on a system, during which all trade liberalization stops until the very conclusion of talks. That, I think, would be a very dangerous outcome for the world. Our second step, therefore, is to determine how do we proceed. Maybe we proceed with a "nothing-is-agreed-until-all- is- agreed" strategy but have an absolute definitive drop-dead time deadline for conclusion, which would be a much shorter duration than seven and a half years or ten years. Maybe we should embark upon an approach Canadians and some others have mentioned, what they call round-up, meaning that agreements should be spun off as they are reached during the pendency of negotiations and then heading all the way down toward conclusion. There are probably a hundred variations, we have asked the commission to sit down with us to review all the various ways in which we might proceed and, for the first time, I am pleased to say the commission has agreed. So, we will be doing that and, of course, that is the second step.

The third step is: what do you call what is announced at the WTO ministerial in 1999 and, obviously, we can call it anything we wish. But, the key from our point of view is that we know what we are negotiating and we know how we are going to negotiate it. The name of it is the last thing that should be decided.

The third area that I've discussed and I will discuss here is the area of U.S.-EU bilateral disputes and here there are three areas of particular note. One is biotechnology, in which we have encountered significant and persistent problems in the EU with respect to the approval for GMO seed and commodities, that is, genetically modified seed and commodities. The process in Europe is torturous for product approval. It is opaque for product approval. It is highly politicized and, therefore, arbitrary and this is a matter of grave concern as more and more U.S. acreage is planted with GMO and as more and more European acreage is planted with GMOs. So, some resolution needs to be taken here. I do think the TEP process offers us an opportunity to look at the regulatory system. We are not suggesting that there shouldn't be one. We are simply suggesting that it must be made transparent and time-bound and, also, to look jointly at the issue of food safety, which is obviously a concern to all of our consumers. The other two bilateral disputes involve EU non-compliance with the WTO panel decisions, most particularly

beef and bananas. In the case of bananas, we have been urging the EU to sit down at a table with us to see if the case can be settled. The EU has persistently rebuffed our request. I am pleased to say that, in Brussels, the EU, for the first time, has shown more interest in the possibility of sitting down to consult on the issue. I have discussed this issue with the Germans and the French and I will discuss it also with the British. I don't know if a resolution can be achieved before the expiration of the time of compliance, which is January 1, 1999, but certainly we would like to try and we would hope that Europe would like to try. Having these kinds of disputes linger is terribly corrosive to the relationship. It also undermines confidence in the WTO system. The dispute settlement mechanism was designed to yield affirmative and final results, not an endless loop of litigation.

The last issue, the fourth that I will touch on, is the entire issue of transparency and civil society. This has to do with the WTO as an institution. In the U.K., in the United States, any citizen can walk into any court room, sit in the back of the room if there is a seat available and watch the proceedings. You can't in the WTO. In the U.K. and in the U.S., when the court renders its decision, it becomes immediately public. Not in the WTO. These deficiencies in the WTO must be corrected or we have nothing other than a forum for mistrust and suspicion. Likewise, we want to ensure that the TEP process is also conducted in a transparent manner. In addition, I think in both the TEP and in the WTO, we must look more seriously at labor and environmental issues and their relationship to trade. Not as a matter of negotiation. We are not looking for negotiating groups in these areas but as a matter of thoughtful policy analysis. In the OECD, there has long been the ability of the NGO community to observe certain proceedings. Again, not in the WTO. There has long been the ability of labor organizations to observe certain proceedings and to have periodic meetings with the OECD. Not in the WTO. So, these basic kinds of steps, coupled with some thoughtful analysis of these subjects, is necessary if the global system is to retain credibility with our domestic publics. You see what has happened on the MAI debate, that when these institutions are not transparent, public distrust becomes very, very high and that, in turn, will be the greatest threat to the multilateral trading system, not individual disputes but a complete and utter lack of public confidence in the decision-making of these institutions. So, that's what I'm here to do and that's what I've been doing in Brussels, Bonn and Paris and I am happy to take questions.

QUESTION: Is the U.S. prepared to take unilateral sanctions against the EU January 1st if they don't comply with the WTO and would you do it without getting the WTO approval or whatever the legal word is. And just a second question: if you said that they are ready to talk for the first time, does that imply that maybe you'll accept that they can keep this iniquitous regime as long as they compensate in another area and it balances out?

AMBASSADOR BARSHEFSKY: We have made it very clear that the WTO dispute settlement mechanism was explicitly designed to ensure that rights acquired through litigation could be firmly enforced. This case is not the first time the EU banana regime has been struck down multilaterally. It is not the second time. It is the third time this regime has been struck down. This is a six-year-long battle. We won the panel proceedings. We won the appellate body proceedings. The EU then changed, shall we say modified slightly, its regime. We provided the EU comments on that modification before they finalized it in a very detailed manner demonstrating that the regime was at least as discriminatory and as non-compliant as the first regime and, indeed, maybe more discriminatory than the regime that has already been struck down. The EU, nonetheless, approved the regime. We then took the extraordinary step in July and asked the EU to agree with us, voluntarily, to ask the original panel to reconvene to test the

WTO consistency of this new regime. The EU refused. Therein followed three months of procedural roadblocks put up by the EU preventing any such panel review. We are done litigating this case. We have won this case. We have made it very, very clear that we will enforce the rights we have acquired in this litigation as expected by the dispute settlement process. However, we have also said, as we have been saying for well over a year, we do think it would be appropriate to try to settle this matter. That is, to ensure that the kind of sharp discrimination against U.S. interests and Latin American interests be removed and we are willing to put all of our efforts and, frankly, all of our focus right now is on the question: can this matter be settled. That's why we have again raised it with the Commission despite being persistently rebuffed. That is why we have raised it with the Germans and French and I will raise it this afternoon with the British in the hope that we might sit down together. I don't know if a settlement is possible, and I don't know what Europe's intentions are but I do feel very strongly, and have always felt very strongly, that we must do everything we can to attempt to talk out problems to see if a mutually agreeable solution can be found before any other action is taken.

QUESTION: But my question was, will you then on January 1st impose unilateral sanctions and ignore the legal niceties of the WTO?

AMBASSADOR BARSHEFSKY: I think that I've already answered the question. I've said exactly what our view is as to the legality of WTO action and we intend to proceed on that basis as the dispute settlement system allows.

QUESTION: Are they right that they could string it out longer and longer from January 1st and there are more things that have to go through?

AMBASSADOR BARSHEFSKY: The EU position has been something along the following lines: The case is litigated. The U.S. wins. That takes a year plus. There is a 15 month period of compliance. The EU takes 15 months, slightly changing its regime to make it rather worse. At the end of the period of compliance, the EU position is that the U.S. then re-litigates on the basis of this new regime. So we take another year to re-litigate, another 15 months, of course, which Europe will request for compliance. We have an endless loop of litigation. This is absolutely not the way this system is designed to work and it is absolutely not something that we will put up with.

QUESTION: We understand that you might be pushing for the EU to implement the rulings on beef and on bananas, as we know, the implementation procedure is actually not that legally clear, to the extent that it's actually more of a political process than a legal process. I want to know that, in a similar case which the U.S. has just lost, how quickly are you going to implement the shrimp/turtle ruling.

AMBASSADOR BARSHEFSKY: We have lost two cases which are and have been quite politically sensitive. The first was a case brought by some of our Latin American trading partners on reformulated gasoline. This is a very politically sensitive area in the United States, because, among other things, reformulated gasoline in general implicates a very substantial range of U.S. environmental policies. The panel in that case found that our regulations on reformulated gasoline discriminated against foreign interests. We asked for a 15 months period of compliance. Our environment protection agency embarked on an entirely new rule-making proceeding. From that rule-making proceeding we altered our practice and were deemed to be fully in compliance by the parties affected. It took us no more than 15 months, it may have taken slightly less, but in

the 15 month range. Now the second case is the shrimp/turtle case. In that case, the appellate, body, thankfully, reversed every legal finding made by the panel below and found that the law itself was entirely WTO consistent, and this was a very critical and important win for us. But it found the implementation of the law was discriminatory and the appellate body went through four or five ways in which it believed that implementation was discriminatory. We have not yet gone to the WTO to discuss the period of compliance. I can't tell you right now what that will be. It certainly is not going to be longer than 15 months, which is the standard period. We are looking at all of the options. We will fully respect all of our WTO obligations, there is absolutely no question. We'll look at the question of implementation, and whether some alteration in implementation would solve the problem. We'll look at any other range of remedies that the trading partners affected might wish us to consider, either as a means of settling or as a means of some alteration. We will look at the range of other issues, for example, compensation and so on. But we will absolutely fully respect our obligations. There's no question about that.

QUESTION: I'd like to ask a more general question about the global financial crisis and burden sharing. I mean we've seen this sharp downward revision from the European Commission yesterday in their forecast for Euro zone growth. I wonder what your reaction to that is.

AMBASSADOR BARSHEFSKY: Europe and the United States are the only games in town, and both Europe and the U.S. must take the lead together to promote global growth and stability. Of course the party missing in this has been Japan, which is the world's second largest economy. Japan, has a special obligation to take the steps necessary to restore domestic growth in Japan, particularly through sustained fiscal stimulus, to clean up and recapitalize the banking system and open its markets and further deregulate. And both we and Europe have worked together to push very, very hard on Japan because, without a recovery in Japan, Asia will not recover.

Both the U.S. and EU depend on each other for their own growth. We have, in two-way trade, U.S.-EU, \$400 billion in goods and services last year. In investment, roughly \$760 plus billion dollars in investment and, just as with the UK, virtually split down the middle. If we don't grow, Europe will suffer as well as us. If Europe doesn't grow, we will suffer as well as Europe. So we have an interest in working together. One of the reasons processes like the TEP are important, although these are always step-by-step, these aren't grand schemes but step-by-step, is to do everything we can to increase trade flows between the U.S. and EU and increase investment flows between the U.S. and EU because we are quite mutually dependent. So, obviously, downward revisions in the growth of the EU is of concern in the U.S. Downward revisions of growth in GDP in the U.S. are of concern to the EU. And that's where we are.

QUESTION: Is Europe doing enough?

AMBASSADOR BARSHEFSKY: We have, I think, felt that we and Europe have cooperated exceptionally well during this financial crisis, in every forum. In the WTO - put the disputes aside, we can't define a relationship of this magnitude and importance by disputes - in the WTO, in the IMF, with respect to World Bank disbursements, we have worked very, very closely. The relationships among the finance ministers are very close. The relationships among the trade ministers have always been very close as well as with the Commission. It's very critical that we continue to cooperate as we have and it is critical that we support each other to the maximum extent possible to maximize the opportunities for mutual growth, and thereby enhance the prospects for a return to more global prosperity. But, right now, we and Europe are the only

shows in town. So, in that regard, with respect to burdensharing, what we have said is simply this: Europe does have restrictive auto quotas. They're due to be phased out in a year and we have said, can Europe accelerate the phase-out? With respect to Russia, Europe does have a very restrictive arrangement on Russian imports of steel. We don't question Europe's potential need for some arrangement with Russia in this area but we have simply asked: Can Europe liberalize the arrangement? Right now, the U.S. takes twice the volume of steel from Russia as does Europe and we take literally ten times more steel from Japan than does Europe, which seems to us rather anomalous. We are simply saying that we would hope Europe would look at the trade restrictions in place, particularly on these large industrial goods and seriously consider liberalizing the restrictions at this point in time.

QUESTION: What about monetary policy?

AMBASSADOR BARSHEFSKY: I don't really want to comment on monetary policy.

QUESTION: I mean European monetary policy, which is slightly criticized as being too tight.

AMBASSADOR BARSHEFSKY: We have a rule in the U.S. on monetary policy and exchange rates, and they are, of course tied, together, and that is there are only two people in the U.S. government who speak to those issues. The first, of course, is the President, but even he often refers to [Treasury Secretary] Rubin. So I'll stay away from those issues.

QUESTION: Would you explain why the U.S. is the standard bearer of the banana issue, when the U.S. doesn't grow bananas?

AMBASSADOR BARSHEFSKY: But we distribute bananas.

QUESTION: U.S. companies own the plantations where they're grown, is that what you mean?

AMBASSADOR BARSHEFSKY: Our companies have substantial interests in Latin America, as you know. European companies have substantial interests in the Caribbean.

QUESTION: Which companies?

AMBASSADOR BARSHEFSKY: Dole, Chiquita, and the Hawaiian Banana Grower's Association. One of the important aspects of the WTO case is that it is the first case on services. And the fact is that the Services Agreement, the General Agreement on Trade and Services, GATS Agreement, is an agreement that does mandate openness in distribution services. This is the first case of this sort on distribution. In that sense, it is precedent setting. Most of the cases in the WTO system are on goods and/or the laws underlying intellectual property rights. But they are not on services. So this was a rather ground-breaking set of legal decisions at the panel level and then at the appellate body level. I should also say that this regime has been subject to three such cases, each one of which has upheld the complaining party and struck down the EU regime. There is no question but that the EU regime was GATT-illegal and it is WTO-illegal and there is no question about that.

QUESTION: What other products might be influenced by a decision on distribution services?

AMBASSADOR BARSHEFSKY: I'd have to think about that. For example, retail distribution, whether it's consumer products, whether it's wholesale or after-sales service, much of which is covered by the GATS agreement, that might be one in the services area. Tourism

services is another area which could be impacted. This includes travel agents and the rights of travel agents as well as airline reservation systems. It will depend on the country and the obligations that country undertook. We took broad obligations in the services sector as did the U.K. Some countries took lesser obligations and you can obviously only enforce rights that you acquired under an agreement with that particular country. But you have financial services, insurance services, distribution services, tourism services, professional services, there are an array of commitments very broad in nature which both the U.S. and EU, and then selectively many other countries undertook. It just so happens this is the first case that is a services-oriented case. The effect on goods is clear, of course, if you can't distribute the goods there is, therefore, a de facto barrier on the goods themselves. But the underlying case is services of a distribution nature.

QUESTION: What I'm getting at is, your office fought for about seven or eight years to get Toys R Us into Japan.

AMBASSADOR BARSHEFSKY: Yes

QUESTION: ... and if you go into a Toys "R" Us in Japan, not 1% of their products which are made in America by American workers. And here you're waging this two year battle for bananas, what American jobs are at stake?

AMBASSADOR BARSHEFSKY: Well Toys "R" Us or companies like Dole, Chiquita, or the Hawaiian companies, you have, as in any service sector, a variety of personnel that are employed. I think, in the toy sector, you have an inordinate number, whether its importers, distributors in the United States, or administrative personnel. In services, it is sometimes a little bit more difficult to quantify. But, under your theory, one would argue that we should not fight for the rights of our insurance or financial services companies in foreign countries because the bank tellers in foreign countries are foreign and not American and I don't think that's a sustainable argument.

QUESTION: How much money is actually involved and how much are American companies being deprived of, what size of the market share would fall to them if the regime was more favorable?

AMBASSADOR BARSHEFSKY: I can't give you a precise answer in the following sense. We have been working with the interagency on what we call a damage assessment. It is certainly in the hundreds of millions of dollars. I can't give you, though, a precise number. But we will have that number, I would think, within the next, probably, two or three weeks. What we have done, in the case of bananas we will - I don't actually know if it came out this week. The first step we take in any matter of this sort is to publish in the Federal Register a request for comments on what we call action ability. That is to say, we ask for public comments, which can come from any source, foreign or domestic, for public comments on the question of the compatibility of the EU regime with WTO rules. Because we must establish through that process and legal analysis strict actionability. That notice should come out next week and there is a thirty-day period within which people comment and we'll look at all those comments, obviously, and make our conclusions. But, in the interim, there is also the interagency, a "damage assessment" that's conducted and we derive the specific figure or set of figures or range of figures. That process is still ongoing and am sure that the number is quite sizeable.

QUESTION: When you said earlier that you wouldn't accept this continuing, what measures are available to you as of January 1st that will change it? What reprisals or counter measures can you undertake?

AMBASSADOR BARSHEFSKY: Well, we can take counter measures in the amount of the damage caused by the offending practice but I would like to emphasize that my sights aren't set on that issue right now. My sights are set on engaging the EU in a negotiation on this issue.

QUESTION: But how would that...I mean who would that apply to? Caribbean banana importers in the United States?

AMBASSADOR BARSHEFSKY: No, this doesn't affect the Caribbean banana importers. We have never challenged preferential treatment for Caribbean bananas in the EU under the Lome Convention. That's never been subject to challenge, never.

QUESTION: What's the Lome Convention?

AMBASSADOR BARSHEFSKY: It's a convention under which the EU provides essentially one-way tariff preferences to Caribbean nations, including former colonies. It's a little bit like our GSP program (Generalized System of Preferences) where we give one-way preferences to developing countries if they qualify. In our case, the tariff preferences are always zero. We give them zero tariffs. That is also what is at the core of our Africa initiative. It would be zero tariffs on products exported from African nations to the U.S.

QUESTION: Many people are worried about protectionist pressure in the U.S. The steel industry has started the anti-dumping ball rolling. There's no longer a majority for fast track and morale at the USTR is said to be very low. How worried are you about protectionism and where do you see it, and from which industries do you see it flaring up next?

AMBASSADOR BARSHEFSKY: I would take issue with one thing which is, I could take issue with many things, but the one thing I would say, I don't think we can say there's not a majority for fast-track. I think we can say that the recent fast-track vote, which was largely politically inspired, was never intended to produce a positive result for many, many reasons, not the least of which is that major trade votes typically don't occur eight weeks before an election cycle. So, I don't read too much into that vote and I don't think from that vote one can conclude that there is not ultimately a majority for fast-track.

QUESTION: The last vote did not have a majority either. That wasn't just before an election.

AMBASSADOR BARSHEFSKY: But it was very, very close. And there are certainly a number of people who argued that had it been brought to a vote it would have passed. We didn't agree with that and did not want to risk a loss on such a major piece of legislation but there has always been, in the U.S., a dispute about that. Our intention has been to bring it up in early 1999 and we will be working to do that.

On the question of protectionist pressures, I think we see this in the UK, in Europe, as well as in the United States. There is no question that our exports have fallen off and there is no question that that, more than a surge in imports, has accounted for quite an increase in the trade deficit. But we do know that, even though an overall surge of imports hasn't happened, certainly there have been spikes in certain sectors. I think Europe is beginning to see this also, also in steel. And our entire trade policy has been focused, geared toward open and foreign markets because over one third of the growth in our GDP the last five years has come from our exports and because 80% of global consumption occurs outside the United States and a market-opening trade



strategy is absolutely critical to our own domestic prosperity. And that has been our focus and that remains our focus. To the extent companies wish to avail themselves of our laws, to the extent they wish to avail themselves of European laws, whether it's dumping or other such laws, that is their legal right and they will pursue whatever actions they wish to pursue.

From the point of view of trade policy, we need, I think, to respond in as sensible a manner as possible, including with an eye toward the longer term. Having said that, in the case of steel there is plainly a significant problem and in Brussels, Bonn, Paris, there is quite a similar view. The global price war has completely collapsed, and I don't think any of us have ever seen a drop in prices of this magnitude and this rapidity, ever. Not ever in recent history. So we have to, I think, look very carefully at the situation but overall I think both Europe and the U.S. have to respond in as sensible a manner as possible. We have to also absolutely continue an open markets strategy. It's why TEP is important, it's why the WTO '99 Ministerial is important. It's not just a matter of asking the world to retain the status quo in terms of then-existing market opening. We've got to keep pushing forward.

QUESTION: But surely, though, it will be difficult to open those foreign markets if other countries, as they increasingly are, start copying the U.S. and the EU anti-dumping laws. Argentina, Brazil, those countries...

AMBASSADOR BARSHEFSKY: Most countries have already copied these laws. This is the other side of having these laws. But bear in mind, the anti-dumping code in the GATT was created in the 1960s and these laws have been around an awfully long time. It is the right of any country to use them, we can see positive aspects of their use in the U.S. and Europe and we can certainly see negative aspects when we are both on the receiving end of those laws. I think, certainly what we demand, particularly when these laws are imposed by other countries is complete transparency and due process, which is often lacking, and that is not the case in the U.S. and that is not the case in the EU.

QUESTION: May I ask you, you said that the U.S. and the EU were the only show in town and you've been here a week now but it seems to me that, since you've been here, we've got this problem, this data protection directive which is going to come into force on Monday in the EU and I don't know if it's you, someone's been making noises about European mobile phones and it just happens to be an industry where two European companies are overtaking Motorola, that doesn't look too good. You know, the EU doesn't agree with your statistics on Russian steel imports and next Monday and Tuesday you and the French are going to talk about the MAI--the multilateral investment agreement. All these negative things have happened just before, and as you're going back home. I mean, you know, and then you're going to have an election coming up in a few weeks which may be return a kind of more protectionist minded guys so what's going to happen in 1999 when you want fast-track and you don't get a deal even on beef or bananas. I mean hasn't it been a kind of slightly negative week for you, objectively speaking?

AMBASSADOR BARSHEFSKY: If you have a trade relationship that is \$400 billion, two-way, you're going to have problems. The axiom is, the smaller the trade relationship, the fewer the problems. The bigger the trade relationship, the greater the number of problems. I think that's absolutely to be expected. It certainly does not lead me to run around like Chicken Little saying the sky is falling. There are problems. Third generation mobile handset standards is a significant issue, there is no question. Bananas, beef hormones, are significant issues. The privacy directive is a significant issue although my sense is, and of course Commerce Secretary Daley has

negotiated that, but, my sense is that it actually has been moving in a more positive direction. All of these, biotechnology, all of these are large issues and they are critical issues but we can't possibly conduct a bilateral relationship focused only on the negative when you have a \$400 billion trade relationship. You have to remain pro-active, the disputes have to be resolved and, if they can't be resolved, we and Europe each retain our rights to take action. But the focus should always be on dispute resolution and the broader focus should be on increasing an already extraordinary and huge relationship. We handle pressures as pressures arise and in as thoughtful a way as possible.

QUESTION: Would it help, just a personal question, one of your predecessors famously said, you know and it had some effect, that she would use a sledgehammer to open up markets. Would you follow her in that kind of tactic, which seemed to work.

AMBASSADOR BARSHEFSKY: We have negotiated, in five and a half years, 260 trade agreements, five of which are huge: the Uruguay Round; NAFTA; the global ITA; Information Technology Agreement; the global telecom deal; and the global financial services deal. And then we have another 255 trade agreements, including 35 market access agreements with Japan, 16 with Europe, 17 with Canada, a bunch with China, so on and so forth. We have seen our exports increase 50% in five years. We have seen exports in the sectors in which we have negotiated agreements, which is almost everything from soup to nuts, increase at a rate far greater than the overall growth in our exports. In many cases export increases in sectors of 80% and 90% over those five and a half years. So, if I may say so modestly, I think we've applied exactly the right measures that needed to be applied to achieve that kind of success.

QUESTION: I just wanted to ask you how you found the new German government. Did you find them pro-trade, pro-competition and secondly how you find the differences between governments and thirdly in December you've got an Austrian, going to see the President of the United States to discuss EU-U.S. policy?

AMBASSADOR BARSHEFSKY: I don't have too much comment to make on the new German government. I arrived and Stolmen resigned and I arrived in Paris and the agriculture minister resigned, I just wonder who it will be in the UK. In any event, I think we had very good discussions in Bonn and in Paris with a variety of government officials. Generally speaking, my sense is that the policy in Germany will remain an open markets policy. I think Germany will be very active in the WTO '99 Ministerial. They have been active and helpful in the TEP process and I don't think we anticipate on the trade side any particular change. What I hope, with respect to both Germany and the UK, is to see, perhaps, more sympathy with and greater cooperation on the issues of civil society, transparency in the WTO and the issues of labor and environment and their roles. So, that's on the German side. The U.S.-EU summits, which occur about every six months, generally are very, very productive. One, because it keeps the president of the U.S. quite firmly engaged, very current, very connected to European leadership. And, second, because these are quite substantive meetings. These are not photo sessions, they're very substantive, and the full range of issues, of course, going well beyond trade, security, political, and so on, are discussed in quite a bit of detail. So we would expect nothing different from the meetings. I think they are going to be December 15th. So this I think has been a very productive way to proceed with Europe.

QUESTION: It's not frustrating trying to deal with so many different people?

AMBASSADOR BARSHEFSKY: Well, it would be nice to deal with one person who agreed with you all the time. Failing that, actually the numbers of people don't much matter.

QUESTION: Has the U.S. ever taken sanctions against Europe since the WTO has been around?

AMBASSADOR BARSHEFSKY: Government procurement in '94. There may be one or two other instances. I would suggest that what you might do is call our office and they can give you the numbers if you want. But we did, actually on government procurement, we mutually took sanctions. Whether the WTO was legally in effect I can't tell you but it was toward the close of the round as I recall. I think there may be another instance or two, you'd have to ask them.